

such charges shall be in writing and included in the loan agreement. Lenders are expected to follow accepted standards employed by prudent lenders in the area in servicing similar type loans. In servicing loans, lenders will make every effort to prevent and minimize potential losses. Lenders will use prudence in disbursing loan funds to borrowers to assure, to the extent feasible, that loan funds are used only for the purposes for which the loan is made. Unless approved by the Commissioner, any amounts disbursed for purposes other than those provided in the loan agreement shall be excluded in the computing the amount for which the lender may be reimbursed in the event of a loss on a loan.

(b) Loan servicing must meet the following standards regarding billing and documentation. Payments must be routinely invoiced, in most cases on a monthly basis. Invoices shall include the date the payment is due and the date the payment will be considered late (i.e., grace period). Borrowers should be encouraged to use pre-authorized debits or credit cards when making payments. Loan files must contain current information on payment history, including delinquencies and defaults, and any subsequent loan action concerning deferrals, refinancing, or rescheduling. There should be a record of the time and outcome of each contact with the borrower, including notification of delinquent status, requests for repayment, and intent to report the delinquent debt to credit bureaus or to refer debts to collection agencies.

[40 FR 12492, Mar. 19, 1975. Redesignated at 47 FR 13327, Mar. 30, 1982, as amended at 57 FR 46474, Oct. 8, 1992]

§ 103.47 Restrictions on lenders.

Loan agreements shall not provide that the lender shall have the right to declare the indebtedness due, or to pursue one or more legal remedies, if the lender "shall feel insecure". This restriction shall not prevent a lender from taking action against a borrower due to any act or omission on the part of the borrower which, by the terms of a note, mortgage, or other loan document, would allow the lender to declare

a loan in default, nor to take action to minimize the loss on a loan.

§ 103.48 Title to property purchased with loans.

Title to personal property purchased with a guaranteed or insured loan shall be taken in the name of the borrower without a restriction against alienation. Title to land purchased with a guaranteed or insured loan may be taken pursuant to § 103.3. Transactions involving taking title to land purchases in trust or restricted status require approval of the Commissioner.

§ 103.49 Fraud or misrepresentation.

(a) Lenders shall use prudence in checking and verifying information contained in loan applications as well as supporting papers and documents in order to assure their accuracy and the validity of signatures.

(b) There shall be no liability on the part of the United States to reimburse an insured lender for that portion of an insured loss on a loan caused by:

(1) The lender's negligence in checking and verifying signatures, information in the loan application, supporting papers and documents;

(2) The lender's furnishing false information to induce the issuance of an insurance agreement by the Commissioner;

(3) The lender's furnishing false information in a loan docket on a loan made under the provisions of a general insurance agreement issued by the Commissioner; or

(4) The lender's willful or negligent action which resulted in a fraud, forgery or misrepresentation.

(c) There shall be no liability on the part of the United States to reimburse a lender on a guaranteed loan for that amount of the guaranteed loss caused by:

(1) The lender's negligence in checking and verifying signatures, information in the loan application, supporting papers and documents;

(2) The lender's furnishing false information to induce the issuance of a guaranty certificate by the Commissioner; or

(3) The lender's willful or negligent action which permitted a fraud, forgery or misrepresentation.